



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 10, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

B&L Bank
Charter Number 705755

205 S. 13th St.
Lexington, MO 66048

Office of the Comptroller of the Currency
Kansas City Field Office
7101 College Boulevard, Suite 1600
Overland Park, KS 66210

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Outstanding

Lending performance for B & L Bank (B&L) is outstanding. Major factors that support this rating are:

- B&L originated a majority of loans inside its assessment areas (AA).
- Lending activities represent reasonable penetration among individuals of different income levels.
- The level of community development lending is excellent, which had a positive impact on the rating.
- Lending activities represent excellent dispersion among the AA.
- The loan-to-deposit (LTD) ratio is more than reasonable.

SCOPE OF EXAMINATION

We evaluated the CRA performance for B&L using Small Bank examination procedures. This includes an assessment of the lending test, which evaluates the bank's record of meeting the credit needs of its AAs through its lending activities.

B&L's primary loan products are 1-4 family residential and auto loans based on the number and dollar volume of loans originated during January 1, 2009 through September 30, 2011. This is consistent with the bank's business strategy. To evaluate performance, we reviewed all loans originated from January 1, 2009 through September 30, 2011 and determined if they were within the AA. We selected a sample of 20 loans for each primary product in the AA to evaluate the borrower and geographic distribution of loans. All financial information and ratios referenced herein are as of September 30, 2011 unless otherwise stated.

DESCRIPTION OF INSTITUTION

B&L is a community bank headquartered in Lexington, Missouri. As of September 30, 2011, B&L had total assets of \$141 million and tier one capital of \$14 million. B&L is wholly owned by Lexington B & L Financial Corp., a one-bank holding company in Lexington, Missouri. In addition to the main office, B&L has two branches located in Wellington, Missouri and Odessa, Missouri. All three are located in Lafayette County. In May 2010, B&L closed the Callao, Missouri branch.

The bank offers a full range of deposit and loan products and services. Residential real estate and consumer loans are B&L's primary business focus. They also have a substantial commercial portfolio. Deposit products and services include free personal checking, business checking, money markets, certificates of deposits, etc.

As of September 30, 2011, B&L reported net loans of \$72 million and had a net loans and leases to total assets ratio of 51 percent.

There are no legal or financial impediments to B&L's ability to meet the credit needs of its AA. The bank was rated Outstanding at its last CRA examination dated December 19, 2005.

DESCRIPTION OF ASSESSMENT AREA

B&L has one AA within the Kansas City MSA, which is described below. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. Due to the nationwide economic slowdown, the local economy has experienced some stress.

Competition from other financial institutions is reasonably strong. The bank's competitors include several local community banks, and branches of large regional institutions, and a few mortgage/finance companies.

Lafayette County Assessment Area

The Lafayette County AA consists of Lafayette County, Missouri. The AA consists of three moderate and three middle income census tracts. This county is located in western Missouri and is part of the Kansas City, MO-KS (Kansas City) MSA.

The local economy is primarily influenced by Government, retail trade, manufacturing, and construction businesses, which employ over 60 percent of the workforce. Over 80 percent of business and over 90 percent of farms report revenues of less than \$1 million. Of the 80 percent of businesses that report revenues of less than \$1 million, 75 percent report have revenue of less than \$500 thousand. As of July 2011, the unemployment rate for Lafayette County was 11 percent compared to the state of Missouri's unemployment rate of 8.7 percent. The 2011 HUD updated MSA median family income for the AA is \$70,500.

Community Contact

We conducted one community contact during the examination with an organization that promotes community development. The organization serves Lafayette County. The contact indicated that affordable quality rental housing is a primary credit need in the AAs. Additional credit needs include lending in newly zoned commercial areas, support of the new hospital, and the improvements to the wastewater plant.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

B&L's net LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly net LTD ratio averaged 81 percent since the last CRA examination. The ratio compares favorably to other community banks of similar size, location, and product offerings.

B&L ranks second among a total of six similarly situated banks serving its AAs. The other five banks had quarterly average net LTD ratios averaging 66 percent and ranging from 45 percent to 83 percent during the same time period.

Lending in Assessment Area

A majority of the primary loan products originated by B&L are to consumers inside its AAs.

Lending in Lafayette County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	124	76	39	24	163	9,196M	72	3,598M	28	12,794M
Consumer (Auto)	428	78	122	22	550	3,274M	78	911M	22	4,185M
Totals	552	77	161	23	713	12,470M	73	4,509M	27	16,979M

Source: Loan sample.

Lending to Borrowers of Different Incomes

The borrower distribution of loans is excellent in the Lafayette County AA.

Residential Real Estate Loans

The distribution of residential real estate loans to borrowers reflects reasonable penetration among borrowers of different income levels. The bank's level of lending is reasonable for the demographics for low- and moderate-income. Approximately 7 percent of families are below poverty levels.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Lafayette County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	24	20	24	20	26	30	26	30

Source: Loan Sample and U.S. Census data.

Consumer Loans (Auto)

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. The bank's level of lending significantly exceeds the demographics for low- and moderate-income households. Approximately 10 percent of households are below poverty levels.

Table 2B - Borrower Distribution of Consumer Loans in Lafayette County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans (Auto)	25	50	19	25	22	10	34	15

Source: Loan Sample and U.S. Census data.

Other Lending-Related Activities

B&L made \$1.1 million in loans to business with revenues of \$1 million for the creation or retention of LMI positions. This includes \$119 thousand in loans to start up local restaurants that employ primarily LMI individuals and generated over 20 LMI positions. Another \$318 thousand went to the construction or purchase of three buildings that expanded small business and generated 17 new LMI positions in Lafayette County, Missouri. One of which was located in a moderate census tracts. The remaining \$668 thousand were made to small business for the purchase or expansion of the company. These businesses employ primarily LMI individuals and generated or retained 25 LMI positions. One business was located in a moderate census tract.

The bank also made \$600 thousand in loans to a small business that provides LMI housing. These loans allowed for the construction of a 24-unit apartment building for Section 8 housing within Lafayette County.

Geographic Distribution of Loans

The geographic distribution of loans is excellent for the Lafayette County AA.

Residential Real Estate Loans

Geographic distribution of residential real estate loans reflects excellent dispersion throughout the AA. The bank's level of lending significantly exceeds the geographies for moderate-income census tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	0	0	42	55	58	45	0	0

Source: Loan Sample and U.S. Census data.

Consumer Loans (Auto)

Geographic distribution of consumer loans reflects excellent dispersion among low- and moderate-income census tracts. The bank's level of lending significantly exceeds the geographies for moderate-income census tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	44	55	56	45	0	0

Source: Loan Sample and U.S. Census data.

Responses to Complaints

This criterion is not applicable. Neither the bank nor the OCC have received written complaints about B&L's performance in helping to meet the credit needs of its AAs.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.